

## Message Text

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ORIGIN EB-08

INFO OCT-01 AF-10 ARA-14 EA-12 EUR-12 NEA-10 IO-14  
AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 FRB-01  
H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05  
PA-02 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00  
USIA-15 PRS-01 SP-02 SOE-02 OMB-01 DOE-11 SIL-01  
ISO-00 /172 R

DRAFTED BY EB/OT/STA:G WHITE:CMS  
APPROVED BY EB/OT/STA:J S SPIRO  
STR:J WALSH  
STR:T STEWART  
AF/S:W EATON (INFO)  
EUR/EE:S FROMOWITZ (INFO)  
ARA/ECP:W BURSON (INFO)  
-----097884 310806Z /14

P 302303Z JAN 78  
FM SECSTATE WASHDC  
TO AMEMBASSY ANKARA PRIORITY  
AMEMBASSY BELGRADE PRIORITY  
AMEMBASSY BONN PRIORITY  
AMEMBASSY BRASILIA PRIORITY  
AMEMBASSY BRUSSELS PRIORITY  
AMEMBASSY CANBERRA PRIORITY  
AMCONSUL CAPE TOWN PRIORITY  
USMISSION GENEVA PRIORITY  
AMEMBASSY HELSINKI PRIORITY  
AMEMBASSY MADRID PRIORITY  
AMEMBASSY MANILA PRIORITY  
AMEMBASSY NEW DELHI PRIORITY  
AMEMBASSY OSLO PRIORITY  
AMEMBASSY PARIS PRIORITY  
AMEMBASSY PRETORIA PRIORITY

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ALSO FOR USOECD, USEEC, AND USDEL MTN

E.O. 11652: N/A

TAGS:ETRD, GATT, OECD

SUBJECT: HIGH CARBON FERROCHROMIUM: PRESIDENT DECIDES

AGAINST IMPORT RELIEF

REF: A) STATE 281848

1. PRESIDENT CARTER ANNOUNCED ON JANUARY 28, 1978 THAT IT WOULD NOT BE IN THE NATIONAL ECONOMIC INTEREST TO PROVIDE IMPORT RELIEF TO THE DOMESTIC PRODUCERS OF HIGH CARBON FERROCHROMIUM. THE FOLLOWING IS THE TEXT OF THE PRESS RELEASE ISSUED BY THE OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS:

BEGIN TEXT. PRESIDENT CARTER HAS DETERMINED THAT IT WOULD NOT BE IN THE NATIONAL ECONOMIC INTEREST TO GRANT IMPORT RELIEF TO DOMESTIC PRODUCERS OF HIGH-CARBON FERROCHROMIUM (HCF), AMBASSADOR ROBERT S. STRAUSS, SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS ANNOUNCED TODAY.

IN HIS DECISION, THE PRESIDENT FOUND THAT GRANTING RELIEF IN THE FORM OF HIGHER TARIFFS (AS RECOMMENDED BY THE UNITED STATES INTERNATIONAL TRADE COMMISSION (USITC)) WOULD BE SIGNIFICANTLY INFLATIONARY, AND THAT NO DOMESTIC PRODUCTION

JOBS WOULD BE LOST AS A RESULT OF DENYING RELIEF. HE ALSO DETERMINED THAT THE DOMINANT DOMESTIC SUPPLIER DOES NOT NEED PROTECTION FROM IMPORT COMPETITION, AND THAT IMPORT PROTECTION WOULD NOT HELP FOUR OTHER MINOR PRODUCERS OF UNCLASSIFIED

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HCF TO ADJUST.

THESE AND OTHER ADVERSE CONSIDERATIONS RESULTED IN THE PRESIDENT REJECTING HIGHER TARIFF RECOMMENDATIONS OF THE USITC, WHICH HAD FOUND (3-1) THAT INCREASED IMPORTS OF HCF WERE A SUBSTANTIAL CAUSE OF THE THREAT OF SERIOUS INJURY TO THE DOMESTIC INDUSTRY, IN A CASE FILED BY A COMMITTEE REPRESENTING DOMESTIC PRODUCERS UNDER THE "ESCAPE CLAUSE" IMPORT RELIEF PROVISIONS OF THE TRADE ACT OF 1974 (SECTION NO. 201).

OF THE THREE COMMISSIONERS FINDING THE THREAT OF INJURY, TWO RECOMMENDED RAISING IMPORT DUTIES ON HCF FROM THE CURRENT 1.9 PERCENT TO 30 PERCENT IN THE FIRST YEAR, DECREASING TO 20 PERCENT IN THE FIFTH YEAR. THE OTHER COMMISSIONER RECOMMENDED A THREE YEAR TARIFF OF 8 PERCENT. CHAIRMAN MINCHEW, WHO FOUND NO THREAT OF INJURY, NEVERTHELESS JOINED THE COMMISSIONERS RECOMMENDING FIVE YEAR TARIFF PROTECTION BEGINNING AT 30 PERCENT.

IMPORTS OF HIGH CARBON FERROCHROMIUM INCREASED IRREGULARLY FROM 44.0 THOUSAND SHORT TONS IN 1972 TO

107.3 THOUSAND SHORT TONS IN 1976. AS A PERCENT OF DOMESTIC CONSUMPTION, IMPORTS ROSE TO 66 PERCENT DURING THE FIRST HALF OF 1977, COMPARED TO 36 PERCENT IN 1972.

MOST HCF IS IMPORTED BY US DOMESTIC STEEL FIRMS OR BY DOMESTIC PRODUCERS FROM AFFILIATED FOREIGN FIRMS. SOUTH AFRICA, BRAZIL AND YUGOSLAVIA ARE THE PRINCIPAL SUPPLIERS.

IN HIS REPORT NOTIFYING THE CONGRESS OF HIS DETERMINATION, THE PRESIDENT MADE THESE POINTS:

1. RELIEF WOULD BE INFLATIONARY AND ADD SUBSTANTIALLY TO CONSUMER COSTS PARTICULARLY THOSE OF THE STAINLESS STEEL INDUSTRY, WHICH ALREADY HAS BEEN GRANTED IMPORT RELIEF.  
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2. THE CONSUMER COST PER JOB WOULD BE EXCESSIVE, PARTICULARLY UNDER THE USITC REMEDY. IN THE ABSENCE OF RELIEF, THE DEPARTMENT OF LABOR HAS ADVISED ME THAT FURTHER LAYOFFS ARE UNLIKELY.

3. PRODUCTION FACILITIES FOR HIGH-CARBON FERROCHROMIUM CAN BE ADOPTED TO PRODUCE OTHER FERROALLOYS, THUS

MINIMIZING ANY EMPLOYMENT PROBLEMS OR NATIONAL SECURITY CONCERNS.

4. ADVERSELY AFFECTED COUNTRIES WOULD HAVE THE RIGHT TO IMPOSE RETALIATORY RESTRICTIONS AGAINST U.S. EXPORTS. RETALIATION IS NORMALLY AVOIDED BY GRANTING COMPENSATORY U.S. TARIFF CUTS ON PRODUCTS OF TRADE INTEREST TO THE COUNTRIES AFFECTED. BUT THIS MEANS THAT OTHER DOMESTIC INDUSTRIES AND WORKERS WOULD PAY FOR RELIEF TO THE HIGH-CARBON FERROCHROMIUM.

5. IMPORT RELIEF WOULD PRINCIPALLY BENEFIT THE DOMINANT FIRM IN THE INDUSTRY WHICH ALREADY APPEARS TO BE IN A GOOD COMPETITIVE POSITION.

6. IMPOSITION OF A REMEDY AS RESTRICTIVE AS THAT OF THE USITC WOULD WEAKEN U.S. LEADERSHIP IN INTERNATIONAL EFFORTS TO REDUCE TRADE BARRIERS AND WOULD MAKE IT MORE DIFFICULT FOR OTHER GOVERNMENTS TO DENY INCREASED PROTECTION TO THEIR INDUSTRIES THAT FACE INCREASED IMPORT COMPETITION.

UNDER THE TRADE ACT, THE PRESIDENT'S DECISION TO REJECT THE USITC'S RECOMMENDATION IS SUBJECT TO A CONGRESSIONAL  
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SIMPLE-MAJORITY OVERRIDE. END TEXT.

2. FOR GENEVA: TEXT OF GATT NOTIFICATION WILL FOLLOW  
SEPTTEL.

3. U.S. MISSION OECD PARIS MAY INFORM OECD SECRETARIAT.  
VANCE

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRADE, POLICIES, CARBON, IMPORT CONTROLS, TARIFFS  
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**Copy:** SINGLE  
**Draft Date:** 30 jan 1978  
**Decaption Date:** 01 jan 1960  
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**Disposition Approved on Date:**  
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**Disposition Comment:**  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
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